

**MINUTES  
of the  
SECOND MEETING  
of the  
ECONOMIC AND RURAL DEVELOPMENT  
AND TELECOMMUNICATIONS COMMITTEE**

**July 24-25, 2006  
Gallup, New Mexico  
Grants, New Mexico**

The second meeting of the Economic and Rural Development and Telecommunications Committee for the 2006 interim was called to order by Representative Mary Helen Garcia, chair, on Monday, July 24, 2006, at 10:08 a.m. in the Commons Areas of Gallup High School in Gallup.

**Present**

Rep. Mary Helen Garcia, Chair  
Sen. Bernadette M. Sanchez, Vice Chair  
Rep. Hector H. Balderas (7/24)  
Sen. Mary Jane M. Garcia  
Sen. Clinton D. Harden, Jr.  
Sen. Carroll H. Leavell (7/24)  
Rep. Patricia A. Lundstrom  
Sen. Richard C. Martinez (7/24)  
Rep. Kathy A. McCoy  
Sen. John Pinto  
Sen. William E. Sharer  
Sen. Leonard Tsosie (7/24)

**Advisory Members**

Rep. Ernest H. Chavez  
Sen. Dianna J. Duran  
Sen. Lidio G. Rainaldi  
Rep. Debbie A. Rodella (7/25)  
Sen. John C. Ryan (7/25)

**Absent**

Rep. Jose A. Campos  
Rep. Daniel R. Foley  
Rep. Dianne Miller Hamilton  
Rep. Andy Nunez

Sen. Phil A. Griego  
Rep. John A. Heaton  
Rep. Ted Hobbs  
Sen. Stuart Ingle  
Sen. Timothy Z. Jennings  
Sen. Steven P. Neville  
Rep. Al Park  
Sen. Shannon Robinson  
Rep. Harriet I. Ruiz  
Rep. Richard D. Vigil

(Attendance dates are noted for those members not present for the entire meeting.)

**Staff**

Charles H. Van Gorder  
Gordon Meeks  
Lindsey Bilovesky

**Guests**

The guest list is in the meeting file.

**Handouts**

Copies of all handouts and written testimony are in the meeting file.

**Monday, July 24****Welcome**

Bob Rosebrough, mayor of the City of Gallup, introduced himself and welcomed the committee to the city. He thanked the legislators for their support of the city and presented Representative Garcia with a key to the city.

**Pittsburgh and Midway Coal Mining Reclamation Project, McKinley North Mine**

Wynette Arviso with J.J. Clacs & Associates is the principal in charge of formulating a reuse plan and feasibility study for the McKinley North Mine operated by the Pittsburgh and Midway Coal Mining Company. That study was the result of a \$100,000 appropriation from the state, which was matched by the Navajo Nation. The study's purpose is to determine which facilities and structures should remain after the closure of the mine scheduled for 2008 and to provide a conceptual plan for the post-closure use of that land. Approximately 350 current employees will be displaced. The mining company has not provided detailed information about the workforce but did provide one sheet of summary employment statistics. Ms. Arviso generally described the mining site and the facilities currently located on-site, which include a main office building with adjoining maintenance facilities, a warehouse and railroad tracks. She described general concepts for the reuse of the property, including industrial and commercial use, grazing, wildlife habitat and recreation, and ideas for the redevelopment of transportation corridors. At this point in time, only a few options for use of the property by other entities have been identified, including a metal recycling facility, a biodiesel plant, the Navajo Agricultural Products Industries and a landfill. At most, the projected uses of the property would have an employment force of 50. Also present for the presentation and available to answer questions were Frank Rivera, senior mine engineer/environmental, Pittsburgh and Midway Coal Mining Company, Roy J. Cleveland, Division of Economic Development, Navajo Nation, and Tim Hagaman, community development representative, Economic Development Department. It was noted that the principal reason for the mine closure is that it has reached the limits of economically viable coal reserves, although the closure date has now been pushed back to 2009.

Questions from committee members concerned demographics of the workers at the mine (gross payroll, age groups of employees and wage rates), the number of employees who will be terminated (whether retired or not) and their potential retraining and employment elsewhere, notice requirements pursuant to the federal Warren Act, bonding requirements related to the mine closure and the involvement of the Economic Development Department in planning for the future of this site and the employment of the displaced workers.

The committee unanimously approved a motion that a letter be written to the secretary of economic development requesting that the Economic Development Department study and prepare an economic development plan for the reuse of the mine site and the reemployment of

the displaced workers. The committee members also requested staff to brief them on the notice provisions of the federal Warren Act and any similar state statutes.

### **Gallup Inter-Tribal Indian Ceremonial**

Josh Rosen, deputy director of tourism and acting director of the Intertribal Ceremonial Office, Louie Bonaguidi, President of the Gallup Inter-Tribal Indian Ceremonial, and Joe Tanner, vice president of the Gallup Inter-Tribal Indian Ceremonial, appeared before the committee to present an update on the ceremonial for 2006. As a result of legislation passed during the 2006 session, the ceremonial has come back under the auspices of the state and, specifically, the Tourism Department. Mr. Rosen indicated how state funds had been allocated for the 2006 ceremonial and plans for the new State Intertribal Ceremonial Office for fiscal year 2007. Mr. Bonaguidi and Mr. Tanner briefed the committee on the history of the ceremonial, which will have its eighty-fifth anniversary in 2006, and reviewed its financial arrangements. On a motion by Representative Lundstrom, seconded by Senator Garcia, the committee voted without opposition to schedule the committee's meeting in Gallup during the 2007 interim to coincide with the Gallup Inter-Tribal Indian Ceremonial.

### **Red Rock State Park**

Glen Benefield, executive director of the City of Gallup Economic Development Office, Herb Mosher, executive director of the Gallup Chamber of Commerce, and David Simon, director of New Mexico State Parks, briefed the committee on the current status of Red Rock State Park. Red Rock State Park was created in the 1970s when the Gallup Inter-Tribal Indian Ceremonial was moved from its location at the former armory in order to accommodate traffic from Interstate 40. The City of Gallup used state funds to purchase the privately owned 600 acres that became Red Rock State Park. The park was completed in the late 1980s following an expenditure of approximately \$11 million. In 2001, control of Red Rock State Park was privatized and the City of Gallup has recently invested over \$900,000 in improvements to upgrade the park. In 2005, the Gallup City Council voted unanimously to revert control of the park to the state if the state agreed to appropriate approximately \$5 million to bring the park into compliance with the Americans with Disabilities Act. The presenters reviewed the scope of activities that are held at the park, including hosting the Wrangler Junior High Finals Rodeo through 2009, and reviewed the economic benefits accruing to the community and the state through these activities. The Gallup Chamber of Commerce has recommended the following: 1) the state and the City of Gallup should enter into a joint powers agreement to develop the park and provide for private sector management and marketing of the park; 2) at least \$6.5 million should be allocated from the New Mexico Rodeo Council to establish a national youth development rodeo center at the park; and 3) the state should allocate \$5 million for improvements required to bring the park into compliance with the Americans with Disabilities Act. It was noted that without the improvements to the park to accommodate disabled patrons, the park will be shut down.

On a motion by Senator Pinto, seconded by Representative Lundstrom, the committee voted without opposition to endorse a \$5 million appropriation to bring Red Rock State Park into compliance with the Americans with Disabilities Act. On a motion by Representative Lundstrom, seconded by Senator Harden, the committee voted without opposition to request the New Mexico Rodeo Council to appear at the committee's meeting in Las Cruces to brief the

committee on the activities of the council and to explore ways in which the council can assist in supporting the rodeo activities scheduled for Red Rock State Park.

### **Minutes**

A motion was made and seconded to approve the minutes of the June 13, 2006 meeting of the Economic and Rural Development and Telecommunications Committee as presented to the committee. The motion was approved without opposition.

### **Small Business Development Centers**

J. Roy Miller, state director of the New Mexico Small Business Development Centers, updated the committee on his organization. The mission is to provide quality direct assistance, entrepreneurial education and resource links for potential and existing businesses to strengthen the state's economy. Core values include exceptional client service, enhanced partnerships, visionary leaders, continuous improvement and community and resource accountability. Mr. Miller presented statistics regarding clients served during fiscal year 2006 and legislative funding priorities for the 2007 legislative session.

Elsie Sanchez, director of the Gallup Small Business Development Center, briefed the committee on the areas served by her organization, statistics for services rendered during fiscal year 2006 and resource partners that the center has utilized. The Gallup center is still housed at the Gallup Chamber of Commerce but is looking for larger available office space.

### **Arts Trails and McKinley County Cultural Enterprise Network**

Loie Fecteau, executive director of New Mexico Arts within the Cultural Affairs Department, described the fiber arts trails program that has recently been implemented in New Mexico as a result of a nonrecurring appropriation passed during the 2006 legislative session. This program enables fiber artisans to work at home and directs potential customers to their homes. She described generally the eligibility criteria, how applications for inclusion in the trail are due on September 1 and that the trail guides are expected to be available next spring. It is hoped that in the future there will be guides for arts trails for other types of arts and crafts.

Evan Williams, a planner with the Northwest New Mexico Council of Governments, briefed the committee on the McKinley County Cultural Enterprise Network (Network). The Network aims to link local museums and cultural enterprises into a distinguished and marketable network. All museums and cultural enterprises in the Network will retain individual control and identity but will avail themselves of advantages of the Network, including the ability to share resources, staff, office space and expertise; prepare and receive benefits from joint applications for funding; and share co-marketing and collateral resources. The Network aims to increase tourism and economic opportunity by linking county museums and cultural enterprises while also supporting the education of local residents; the preservation of historical records, artifacts and culture; and enhancing the quality of life in Gallup and McKinley County. The Network project was initiated in 2002 and Phase I, consisting of a planning and feasibility assessment, was undertaken in 2003 with state funding. The feasibility study has been completed and has received broad-based community support. Phase II of the Network will involve the preparation of an initial scope of work. The Northwest New Mexico Council of Governments is also supporting tourism through Adventure Gallup and Beyond and the Native Heritage Trail in addition to the Network.

The meeting was recessed by Representative Lundstrom at 4:20 p.m.

## **Tuesday, July 25**

The second meeting of the Economic and Rural Development and Telecommunications Committee for the 2006 interim was reconvened by Representative Garcia on Tuesday, July 25, 2006, at 9:05 a.m. at the Coyote del Malpais Golf Course in Grants.

### **Welcome**

Joe Murrieta, mayor of the City of Grants, welcomed the committee to Grants and to the facilities at the municipal golf course.

### **Cooperative Advertising Program**

Sharlene Begay-Platero, industrial development representative with the Navajo Nation Division of Economic Development, and Margaret Mitchell, director of the San Juan Economic Development Service, spoke to the committee about the need to increase state funding for the Economic Development Department's Cooperative Advertising Program. In recent years, the private sector has become increasingly involved in marketing unique community and regional economic resources to foster new economic development in the state's communities. Such locally based advertising is essential in order for communities to promote their individual strengths and goals. The Cooperative Advertising Program permits the state's rural communities to leverage their limited financial resources for increased advertising. Current state funding is only \$200,000 per year as compared to \$450,000 in 1989; a significant cut in funding was imposed four years ago. As a result, local communities are limited to \$15,000 in advertising assistance and the limited available funding discourages responses to requests for proposals. The New Mexico Industrial Development Executives Association strongly encourages an increase in available state funding to \$600,000 for fiscal year 2008.

On a motion by Representative Lundstrom, seconded by Senator Garcia, the committee voted without opposition to write a letter to the Legislative Finance Committee endorsing an increase to \$600,000 for fiscal year 2008 in funding for the Economic Development Department's Cooperative Advertising Program.

### **Economic Impact of Power Plants in Northwest New Mexico**

Marshall Plummer, governmental affairs manager for Arizona Public Service, gave an overview of the operations of the Four Corners Power Plant. The plant was built in the early 1960s and is the eighteenth largest plant in the country, providing power to New Mexico, El Paso, Arizona and southern California. The plant is located entirely within the Navajo Nation and the legislature removed the double taxation several years ago. Seventy-five percent of the workforce (about 590 persons) are Navajo with an annual payroll of about \$65 million. This power plant, along with BHP Billiton coal mining operations, provides \$58 million per year to the budget of the Navajo Nation (almost one-half of the nation's annual budget), which supports chapters in New Mexico and Arizona. Twelve cents of every dollar goes into the Navajo Nation Permanent Fund. Approximately \$32.7 million is paid annually in state and federal taxes. A major overhaul of the plant is scheduled to begin in 2008 at a cost of \$62 million.

Russell Huffman, San Juan Generating Station plant manager, and Art Hull presented to the committee regarding the economic impact of the Public Service Company of New Mexico (PNM) and its San Juan Generating Station. PNM is the eighth largest private company in New Mexico with 3,500 employees and the largest provider of natural gas and electricity in the state. The San Juan Generating Station is a 30-year-old coal-fired power plant, the twenty-seventh-largest power plant in the nation. Coal for the plant comes from the BHP Billiton Coal Mine, which provides 6.6 million tons of coal annually. Sixty percent of the power produced by the plants goes to PNM's New Mexico customers. In 2005, the plant employed 402 full-time employees and 150 contractors with a combined payroll of \$44.7 million. Four million dollars was paid in property taxes and \$65 million was paid in royalties for coal deliveries. The presenters reviewed the ways in which the plant supports the surrounding community and the environmental impact and performance of the plant. Planned improvements at the plant will reduce the environmental impact of the plant's operations and increase state and local tax revenues due to increased spending (\$265 million) during the upgrade.

Freddy Sanches, vice president with Sithe Global Power, and Stephen C. Begaye, general manager of the Diné Power Authority (DPA), briefed the committee on the present status of the Desert Rock Energy Project. The project is being done in cooperation with the Navajo Nation and will result in a state-of-the-art 1,500 megawatt coal-fired power plant located adjacent to the existing BHP Billiton Coal Mine. The project is moving forward. A water agreement has been approved and the plant will utilize only 20 percent of the water normally used by such plants. The Navajo Nation has approved a land lease. A draft air permit has been issued by the Environmental Protection Agency and a draft environmental impact statement is scheduled to be issued in September. Construction of the plant will take four years and involve 1,000 construction jobs with total wages exceeding \$550 million. Once operating, the plant will generate 200 jobs at the plant and an additional 200 jobs at the coal mine with total wages at \$16 million per year. It is estimated that \$350 million in taxes will be realized from construction through the first 25 years of operations; \$90 million to San Juan County and \$260 million to the state. Corporate state income taxes for that same period are estimated at \$250 million. It is also estimated that the plant will contribute \$50 million annually to the Navajo Nation. Mr. Sanches also reviewed planned infrastructure improvements for surrounding chapters of the Navajo Nation. One issue that has yet to be resolved is state action regarding a reduction in the compensating tax to be paid; this was the subject of legislation in the 2006 session and there will be another proposal for the 2007 legislative session. Following Mr. Sanches' presentation, Mr. Begaye explained to the committee the nature of DPA and its involvement in the Navajo Transmission Project (NTP). The NTP is a proposed 470 mile 500 kilovolt transmission line running from Shiprock to Boulder City, Nevada. DPA also has an option to become an equity owner in the Desert Rock Power Project.

In the course of questioning from committee members, concern was expressed regarding the number of Navajo families (37 percent) in the areas affected by these power generating plants that do not have electricity in their homes. The presenters indicated that their facilities are generating plants and are incapable of providing electricity in a form that could be utilized by domestic customers. There was a discussion of the compensating tax bill that was considered during the 2006 legislative session. An amendment to the original proposal would have provided funds that could have been used for power line extensions to rural homes. The committee voted to send a letter to regional distributors of electricity asking from whom they are

purchasing electricity and what their plans are to extend domestic electrical service to homes not presently served by electricity.

### **WIRE New Mexico**

Arturo Jaramillo, secretary of general services, John Martinez, director of the Communications Division of the General Services Department, and Roy Soto, chief information officer, appeared before the committee to present the WIRE New Mexico Program. WIRE New Mexico is an infrastructure project that will enable the state to implement a high-speed, high capacity communications system that will include data, voice and video throughout the state. This project will allow for state-of-the-art connectivity among state agencies, ultimately helping them to better serve the residents of New Mexico. The business objectives for the state network architecture are efficient delivery of client services by state agencies; continuing implementation of a single statewide, integrated telecommunications backbone for state government; leveraging existing state-owned resources to reduce recurring costs; and reducing statewide, bottom line costs for communications. The technical objectives for the state network architecture are to integrate existing digital microwave network and other state-owned resources into one state system; protect network continuity and security; and ensure adequate and scalable bandwidth for present uses and future growth. The presenters reviewed the existing communications network for state agencies across the state, including the digital microwave network that since has 1999 been upgraded from an analog network at a cost of over \$25 million. The fiber backbone along the Rio Grande corridor is scheduled to be operational in August 2006, and future phases include fiber backbones in the southeast, northeast and northwest areas of the state. In addition to the fiber backbones, WIRE New Mexico also includes metropolitan area networks in Santa Fe, Albuquerque and other smaller cities throughout the state. The project is expected to be completed at the end of fiscal year 2008. There was discussion about concern on the part of private telecommunications companies that implementation of this statewide network would result in a significant loss of current income for those companies. An informal task force is presently meeting to address this concern.

### **Adjournment**

There being no further business before the committee, the second meeting of the Economic and Rural Development and Telecommunications Committee for the 2006 interim was adjourned at 1:03 p.m.